

M. Sweeney

PACCAR Inc

Business Center Building
P.O. Box 1518
Bellevue, Washington 98009
Telephone (206) 455-7400

September 4, 1985

Certified Mail RRR

Atlas Building Wreckers, Inc.
Atlas Building Wreckers
10900 27th Avenue South
Seattle, WA 98168

2035 N. Willamette Blvd.
Portland, OR 97217

6200 N.W. St. Helens Road
Portland, OR 97210

Box 17449
Portland, OR 97217

Gentlemen:

We refer to the Sublease ("Sublease") executed between PACCAR and Atlas Building Wreckers dated March 1, 1979, which Sublease is subject to all terms of an head lease (the "Prime Lease") between PACCAR Inc and Assunta Desimone et al recorded under King County Recording No. 7704010233.

This Sublease, after Atlas' exercise of the one renewal option permitted in the Sublease, expires February 28, 1986. PACCAR has no intention of renewing this Sublease in view of the matters hereinafter discussed.

§5 of the Sublease expressly provides that the Premises may only be used for storing used building material and renovating such material for sale. It further provides that Atlas must comply with all laws, rules, ordinances, and regulations of any government agency having jurisdiction of the Premises. Finally, an obligation is imposed upon Atlas by §12 to surrender the Premises at the end of the Sublease term in the same condition as at the time of commencement of the Sublease.

With reference to information coming to our attention on August 22, and our subsequent visual inspection of the Premises on August 26 and aerial photography thereof on August 28, it is apparent that Atlas is in current violation of a number of provisions of the Sublease, including but not limited to the following:

- a) There are apparently two temporary residences being maintained on the Premises in disregard of King County zoning requirements and §5 of the Sublease.
- b) We are informed and believe that there is an unauthorized sublease of the Premises by Atlas in violation of §20 of the Sublease (requiring our prior consent).
- c) There have been deposits of demolition rubble on the Premises not constituting used building material renovatable for sale in violation of §5 of the Sublease and also constituting waste by Atlas, as well as a violation of King County Ordinances; we note that §12 of the Sublease also prohibits burying of materials on the Premises, whether by "blading-in" or otherwise, and §5 of the Sublease precludes any use of the Premises which might violate PACCAR's undertakings to the lessor under the Prime Lease.
- d) It is apparent that Atlas is encroaching, by storage of materials, on the Seattle City Light transmission line easement, which easement is specifically excluded from the Premises by §1 of the Sublease and is also specifically excluded from the premises leased to PACCAR under the Prime Lease.
- e) §12 of the Sublease obligates Atlas to return the Premises to PACCAR in their original condition, which obligation is to be secured by a surety bond of \$50,000 supporting compliance with such covenant; the most recent credit report obtainable for Atlas fails to disclose a financial condition enabling a reasonable person to conclude that Atlas can perform such obligations, and we have no current basis for believing that even the \$50,000 surety bond will be sufficient to assure compliance with §12 of the Sublease.
- f) In addition, other violations, not apparent from our recent inspection, may result from the activities of Atlas; we understand that certain of the violations above noted have led to King County serving a Stop Order for Sublessee's activities on the Premises, effective August 30.

Accordingly, with reference to the Sublease, PACCAR advises Atlas that:

- 1) Atlas is in default of the covenants of the Sublease as above noted and, in accordance with the provisions in §15 of the Sublease, is hereby given notice to cure all said defaults within 90 days of the date of this notice.

- 2) We demand indemnification from Atlas in accordance with §5 and §11 of the Sublease respecting the above matters and the matters hereinafter discussed affecting our adjacent property, and we hereby put Atlas on notice that we intend to look to the liability insurance required by §11 of the Sublease and the surety bond furnished under §12 in connection with any costs and liabilities associated with Atlas's foregoing violations of the Sublease or failure to cure same within the time provided, in addition to asserting any Sublessor remedies otherwise provided by law.
- 3) As provided in the Sublease, acceptance of any rent by PACCAR does not constitute a waiver of its rights for the foregoing defaults under the Sublease.
- 4) By reason of such defaults, it has become necessary for PACCAR to employ the law firm of Karr, Tuttle, Koch, Campbell, Mawer & Morrow, whose expenses incurred for PACCAR's account Atlas has agreed in §16 of the Sublease to pay.

You should be advised that we have given notice to the Fireman's Fund, the bonding company for Atlas, regarding the breach of the Sublease and the apparent inability of Atlas to correct the defaults within the time remaining on the Sublease term.

A second matter is of even greater concern. The aerial photographs taken by PACCAR, copies of which are enclosed, have the outlines of the property subject to the Sublease superimposed upon them. You will note that significant and substantial quantities of construction and demolition debris have been deposited upon real property that is not subject to the Sublease.

These aerial photographs indicate that an estimated 20,000 to 30,000 cubic yards of material have been placed upon the property, constituting a trespass upon said property. We estimate the expenses to be incurred for removal of these spoils to be as high as \$500,000.00.

The depositing of the material is clearly in violation of county law since it constitutes the depositing of unauthorized and unsuitable materials, without a permit, as well as the depositing of materials within 200 feet of an urban waterway, in violation of applicable county ordinances. Obviously, no compensation has been paid to PACCAR for this unauthorized and unpermitted use of the property subject to its sole use and control.

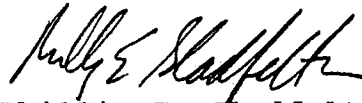
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Notice is hereby given of the trespass upon the real property controlled by PACCAR and demand is made for immediate discontinuance of the use. Further demand is hereby made upon Atlas to immediately proceed to make satisfactory arrangements for the benefit of PACCAR and acceptable to the Desimone interests for the removal of the wrongfully placed materials at the sole expense of Atlas, and for payment of compensation to PACCAR for use of this property. All such removal must, of course, be consistent with the applicable ordinances of King County. We further demand that notice be given to your insurance carriers of this trespass upon this real property controlled by PACCAR.

If arrangements are not made within ten (10) days from the date of this letter for the removal of the unauthorized deposits and restoration of the PACCAR real property on such terms as may be satisfactory to PACCAR, we shall instruct our attorneys to take all such steps as may be necessary to fully and completely protect the interests of PACCAR and respect those of the Desimone interests as PACCAR's lessor.

We look forward to your prompt response, which may be communicated to our attorney, Terence P. Lukens, Esq. at One Bellevue Center, Ste 1030, 411-108th Ave. N.E., Bellevue, WA 98004, (206) 451-8433.

Very truly yours,



Phillip E. Gladfelter
Corporate Real Property
Manager

PEG:jel

cc: Terence P. Lukens, Esq.
David Sweeney, Esq.

Enclosures: Survey of legal description
Aerial photos, 8/28/85

Downhome - PACCAR
Hoard Lease

Atlas Sublease

Sublease
mines outlined

692.188

LEGAL DESCRIPTION

That portion of Government Lot 11, Section 4, Township 23 North, Range 5 East, W.M., in King County, Washington, being more particularly described as follows:

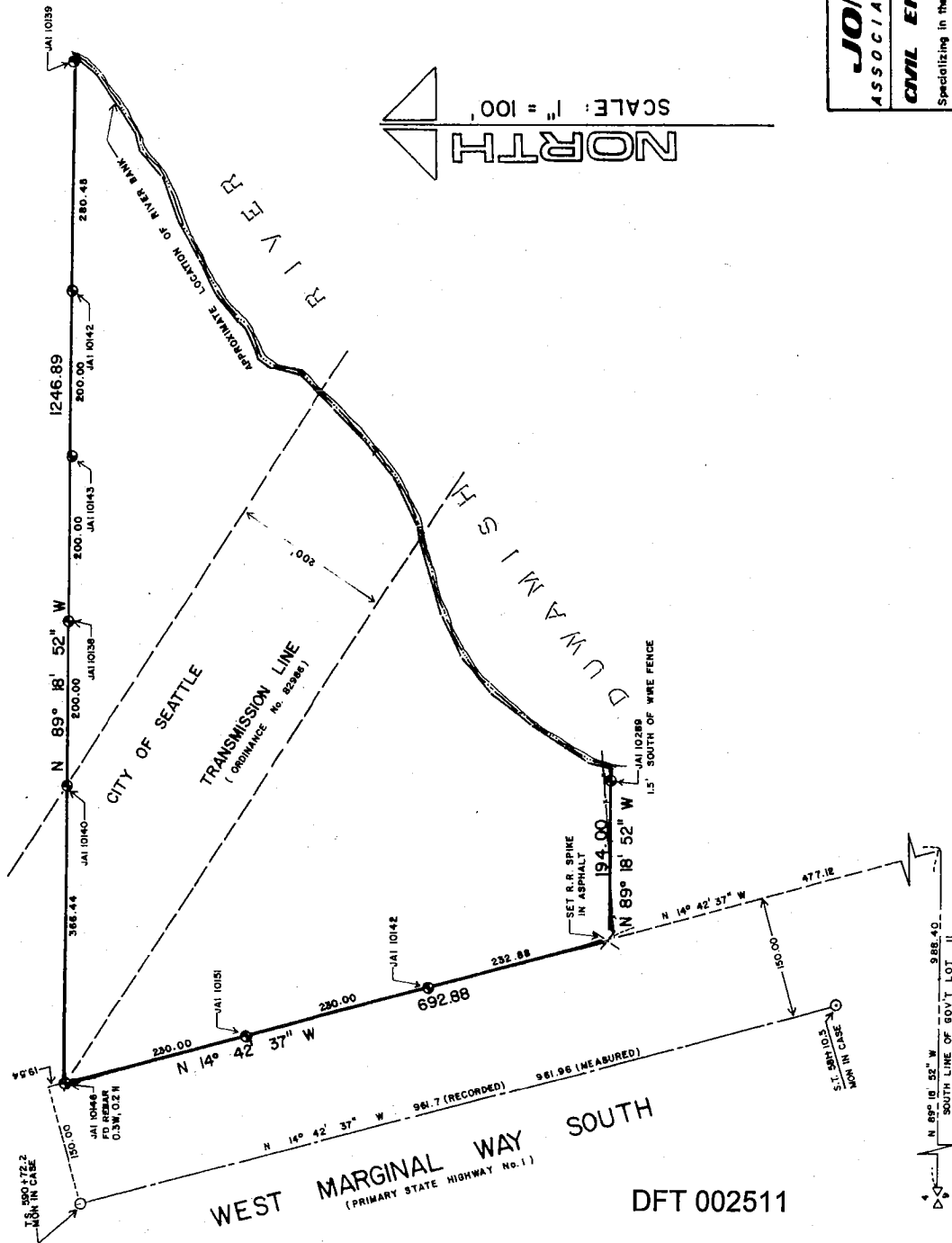
Commencing at the Southwest corner of said Government Lot 11; thence South 89°18'52" East along the South line of said Government Lot 11 a distance of 988.40 feet; thence North 14°42'37" West a distance of 477.12 feet to an intersection of the North line of the South 480.00 feet of said Government Lot 11 with the Northwesterly Right-of-Way Line of Primary State Highway No. 1, as established by King County Superior Court Cause No. 529021, said point of intersection being the TRUE POINT OF BEGINNING; thence North 14°42'37" West along said Northwesterly Right-of-Way Margin a distance of 692.88 feet to the Southwest corner of said Government Lot 11; thence North 89°18'52" East parallel to the South line of said Government Lot 11 a distance of 1757.0 feet, more or less, to said Government Lot 11; thence North 89°18'52" East parallel to the Southwesterly bank of the Duwamish River; thence Southwesterly along the North line of the South 460 feet of said Government Lot 11; thence North 89°18'52" West along said North line of the South 460.00 feet of Government Lot 11 a distance of 409.0 feet, more or less, to the TRUE POINT OF BEGINNING.

LEGAL DESCRIPTION CONT'D

EXCEPT the strip of land for Seattle Transmission Line as established by Ordinance No. 82986, of the City of Seattle.

Situate in the County of King, State of Washington.

Containing an area of 464.660 square feet or 10.67 acres, more or less, less that area contained within the strip of land for Seattle Transmission Line as established by Ordinance No. 82986, of the City of Seattle.



RECORDER'S CERTIFICATE

Filed for record this _____ day of _____, 19____, at _____ M. in book _____ of _____, at the request of _____ KENNETH R. GREGORY

Manager

Seal of Records

CERTIFICATION

I, KENNETH R. GREGORY, hereby certify this plan represents a survey conducted by Jones Associates, Inc., under my supervision; and that the dimensions and bearings shown herein correctly reflect the intent of the legal description for subject property. Survey at the request of KENWORTH TRUCKS, INC. on FEB. 1, 1974.

Professional Seal 7888
Certificate No. 7888



LEGEND

- Section Corner (Theoretical)
- 1/4-Corner (Theoretical)
- Section Corner - Mon. Pd.
- 1/4-Corner - Mon. Pd.
- Section Corner - Mon. Set
- 1/4-Corner - Mon. Set
- Monument Set
- Monument Found
- 3/8" Rebar with Cap Set
- Old Pipe Found
- Old Post Found
- Hub with Test Set
- Mail or Lead Plug Set
- Face
- Property Line
- Section Line
- 1/4 Section Line
- 1/8 Section Line
- Traverse

NOTES

1. Project Datum is: K. C. A. S.
2. Probable position error with respect to Controlling Monumentation: 0.1 ft.
3. Control System Closure: 1:10,000
4. Control employed to establish Meridian: PRIMARY STATE HIGHWAY MONUMENTS
5. Control employed to establish position: DITTO

JONES ASSOCIATES, INC.
CIVIL ENGINEERS
Specializing in the
SURVEYING and MAPPING SCIENCES
BELLEVUE, WASHINGTON

CLIENT: KENWORTH TRUCKS
BOUNDARY SURVEY
AT W. MARGINAL WAY S., SEATTLE

DATE	BY	TH	FILE	NO.	1
FEB 27	DONT	TH	100	4	1
APPROVED	SCALE	1" = 100'			